UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/49/424/Add.1
22 September 1994

ORIGINAL: ENGLISH

Forty-ninth session
Items 91 and 112 of the
provisional agenda*

SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

A review of the specific development needs of small Member States and the responsiveness of the United Nations development system to these needs

Note by the Secretary-General

Addendum

The Secretary-General has the honour to transmit to the General Assembly the comments of the Administrative Committee on Coordination on the report of the Joint Inspection Unit entitled "A review of the specific development needs of small Member States and the responsiveness of the United Nations development system to these needs" (see A/49/424).

* A/49/150.

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ANNEX

Comments of the Administrative Committee on Coordination on the report of the Joint Inspection Unit entitled "A review of the specific development needs of small Member States and the responsiveness of the United Nations development system to these needs" (JIU/REP/93/4)

I. GENERAL COMMENTS

1. The subject under examination in the report of the Joint Inspection Unit (JIU) is the development needs of small Member States. The Inspectors considered briefly the concept of "small States" and present some basic data on these countries, indicating the range and diversity of their levels of economic and social development, and then examined the specific development needs of small economies. On the basis of this assessment and a review of the responsiveness of the United Nations development system to those needs, the authors made a number of recommendations aimed at enhancing the effectiveness of the United Nations system's assistance to small countries.

2. The Administrative Committee on Coordination (ACC) found the topic of the report of particular interest at a time when problems of the development of small developing countries were the subject of continuing and close attention by the agencies and organizations of the United Nations system. As correctly mentioned by the report, one of the major activities of the system in this area was the convening at Bridgetown from 25 April to 6 May 1994 of the Global Conference on Sustainable Development of Small Island Developing States and the adoption of a programme of action which provides a framework for more coherent action by the United Nations system in addressing the specific challenges faced by these countries.

3. In general, the ACC members found the report well-conceived, comprehensive and balanced. They supported in principle the conclusions and recommendations, which were generally constructive and fair, and considered appropriate the steps proposed in the document. They also agreed with the Inspectors that a lot could and should be done to improve the action of the United Nations system to be part of the solution.

4. However, in some instances the report was found to contain a number of shortcomings which, to some extent, diminished the value of the study.

5. First of all, in the view of most ACC members, the report was not convincing in its arguments that the United Nations system, and the United Nations Development Programme (UNDP) in particular, needed yet another criterion for special attention and allocation of assistance to small Member States, in so far as there were already least developed, land-locked, small island States, the World Bank's low-income group and other categories of countries, the criteria of which were better justified for special attention than "small States". Therefore, there was a risk that further classification of developing countries on the basis of particular characteristics for aid purposes might dilute the

importance and attention that might be given to groups of countries already recognized by the international community as deserving special treatment.

6. ACC members mentioned some contradictory provisions and conclusions made by the Inspectors concerning the idea of considering a category of "small Member States" and the necessity for the United Nations system to rethink the allocation of assistance to those countries. Those contradictions could be seen starting from the very first conclusion that greater weight needed to be given to "smallness" in the allocation of development assistance, whereas in some other parts of the report the authors recognized that the small Member States were quite well served by the present system of allocating United Nations development assistance. In that regard, ACC members accepted the conclusion of the Inspectors that there was no need to establish formally a distinct and special category of "small States" and that the responsiveness of the United Nations system to the development needs of smaller Member States should therefore continue to reflect the general characteristics of each agency's programmes of technical cooperation with member countries.

7. ACC members agreed with the conclusions of the authors of the study that: (a) the small size of a country did not in itself constitute a meaningful category in the context of economic development; (b) the small countries were too diverse in terms of per capita income, levels of economic and social development and economic performance to constitute a coherent economic grouping; and (c) a substantial number of them, especially the smallest ones, belonged to the least developed and/or small island developing categories, both of which received considerable attention within the United Nations development system. On the other hand, some agencies suggested that if the irrelevance of country size for economic performance was the central point of the document, that should be emphasized and made the cornerstone of the whole argument. In that regard, countries like Denmark and Territories like Hong Kong must be included in the data. They also believed that the study should use the comparison between economic performance of large and small countries to substantiate the claim of the irrelevance of country size. Otherwise, by presenting only comparisons between small States, the document lost a good opportunity to help policy makers in small countries to focus on the relevant issues.

8. A number of ACC members felt that, while the report gave a good overview of the special characteristics of small States and highlighted most of their important development needs, insufficient attention seemed to have been paid to the development of new lines of exports, in view of the limited resource endowments of the States. Others mentioned the lack of attention in the report to such important issues as the adaptation and improvement of technologies available in industrial countries; the question of aid coordination; the provision of health services to small mountainous and island States; the importance of telecommunications in development and in reducing the sense of remoteness, as well as providing early warning to small island developing countries prone to hostile climatological conditions; education problems; transportation problems, including the difficulty for most small States to meet the high technical demands of modern civil aviation and the importance of air transport for the economic and social development of small island and other isolated States; and sea transportation, which was of extreme importance not only to small island countries, but also to small coastal countries and, via

regional agreements, even to land-locked States, in so far as around 90 per cent of the world trade was transported by sea, etc.

9. Some organizations expressed the view that a focus on small island developing countries, rather than on small States, might have proved to be more interesting for the research. In that regard, they raised the question of how such a study could have been carried out without consultations with the Economic Commission for Latin America and the Caribbean (ECLAC), which, along with the Economic and Social Commission for Asia and the Pacific (ESCAP), was a United Nations body with special responsibility for development problems of small and very small island developing States. It was also noted that the General Assembly had designated the United Nations Conference on Trade and Development (UNCTAD) as the focal point for specific action at the global level in favour of island developing countries and in the past two decades it had made a major contribution in analysing the problems and formulating measures to help alleviate those problems at the national, regional and global levels.

10. Several ACC members regretted that their activities and positive experience in the area under consideration had not been reflected in the study. In particular, the report ignored the efforts of the Economic Commission for Europe (ECE) to respond to the needs of its 24 small countries out of 53 member States, and did not take into account the specific development needs of small European countries in transition.

II. COMMENTS ON RECOMMENDATIONS

Recommendation 1

> "The legislative bodies of the United Nations system's organizations should give greater weight to 'smallness' in the allocation of development assistance, whenever this factor accentuates the difficulties of economic and social development, most notably in terms of diseconomies of scale and vulnerability to external influences.
>
> "The United Nations development system should show greater flexibility in response to the specific needs of individual small States and more willingness to prioritize areas of greatest immediate need."

11. The majority of ACC members commented that the proposal of the Inspectors calling for a special treatment of countries on the basis of their "smallness" was not supported by agencies. They made no distinction between small States and other developing countries in the provision of technical assistance and provided no special programmes to address development issues of small States. However, they accorded highest priority to their technical cooperation with the weakest nations, most of which were small States belonging to the group of the least-developed countries.

12. Some ACC members noted that they had long been aware of the particular conditions of vulnerability of small countries. In that regard, they mentioned the 15 countries in the Pacific region assisted by UNDP and other organizations of the system, 14 of which were small States with a population of less than

1 million. Nine of them were not States Members of the United Nations, and their assistance needs had not been treated by the Inspectors. Therefore, it would be desirable that the scope and coverage of the study be expanded to include even smaller countries whose financial resources were meagre and whose plight was even more vulnerable and fragile.

13. Some ACC members pointed out that small countries tended to have more specialized economies, i.e., they imported and exported more than large States in relation to the size of their economy. However, in the view of several other ACC members, the "smallness" was not useful as an analytical concept in understanding development. It might be more relevant if the objective were autarchic development, but that was no longer considered a realistic option, even for medium-sized countries. Diseconomies of scale and scope which used to be a barrier to development, were no longer considered as such with technical progress and an increasingly integrated world, which was vividly reflected in the section of the report relating to dissemination of information (paras. 88-90). Nevertheless, while disagreeing with the proposal that even more weight should be given to "smallness" in the allocation of development assistance, ACC members strongly supported the second part of recommendation 1, namely that there was a need for greater flexibility on the part of donor agencies in response to the specific needs of individual small countries.

14. Finally, one ACC member noted that the observation to the effect that "small Member States are quite well served by the present system of allocating United Nations development assistance, receiving comparatively high allocation on a per capita basis" (see para. 51 of the report), made the recommendation redundant.

Recommendation 2

> "United Nations agencies should give priority to assisting small States to improve their capacity to monitor and assess key aspects of environmental issues, especially where these interact with economic development policies. Assistance should be given within a framework of better coordinated environmental programmes, with emphasis on regional approaches where feasible (see recommendation 3)."

15. The members of ACC were in full agreement with the conclusions of the Inspectors that there was an urgent need for increasing general awareness of the harmful consequences of environmental degradation on the part of both the general public and the political leaders of small Member States. The limited nature of territorial resources, which characterized most of those countries, implied greater vulnerability of their environmental resources. They noted that the problems of waste management, the conservation of biological diversity, transboundary air pollution, fresh water resources and the adverse effects of climate change were particularly vexing in small island States, and that those problems had been the subject of thorough consideration by the Global Conference on Sustainable Development of Small Island Developing States. ACC members also agreed that emphasis should be placed, where feasible, upon regional approaches in dealing with the environmental problems of small countries and endorsed the proposal that assistance should be given within the framework of better coordinated programmes. In that regard they mentioned the creation of a

subsidiary mechanism within ACC, the Inter-Agency Committee for Sustainable Development, which had a direct mandate to improve the coordination of the environmental and sustainable development programmes within the United Nations system.

16. However, some ACC members noted with surprise that recommendation 2 was limited to giving priority to the improvement of the capacity of small States in monitoring and assessing key aspects of environmental issues. They believed that endogenous capacity building was necessary not only for monitoring and assessing environmental problems but also for taking action in the various fields related to environmental management and sustainable development of small countries.

Recommendation 3

> "United Nations agencies should encourage small States to adopt regional approaches wherever these offer possibilities of exploiting scale economies and strengthening their position in the international economy. Assistance in this field should be carefully evaluated to ensure that inputs are justified in terms of outputs. Priority should be accorded to human resource development, environmental activities, reducing the administrative constraints imposed by small size, and to areas where there is a clear commitment on the part of the respective Governments."

17. ACC members supported the call for a regional approach by the organizations and agencies of the United Nations system to the needs of small States. They underlined that their long-time activities in small countries already included some forms of cooperation, in particular, in the areas of environmental protection; resource exploitation; the mobilization of technical and financial resources; the protection of exclusive economic zones; and the development and sharing of human resources, foreign trade, etc., i.e., those kinds of activities that strengthened the positions of small States in the international economy.

18. In the view of ACC members, the report quite rightly emphasized the priority need to improve the human resources of small Member States and their institutional capabilities, because in the case of the success of such an effort, these countries would have the internal strength to understand that only through a creative and intelligent integration into the world economy would they have the opportunity to improve their own economic performance and the welfare of their population. Some ACC members believed that, in that regard, the report should have included references to such national economies as Hong Kong, Singapore, Bahamas and others, which had proved that being small and deprived of natural resources did not mean hopelessness.

19. In connection with recommendation 3, some ACC members warned that it would be important to distinguish between regional cooperation and regional integration. It was particularly in the latter area that success had in many instances been elusive, and the reasons for that had been widely examined. Although the changed international environment might improve prospects in that regard, ACC members believed that a less ambitious approach focusing on cooperation rather than formal integration might be more conducive to success.

Recommendation 4

"United Nations agencies should assist in creating and strengthening economic and social research institutes in small countries, with a view to enhancing the national capacity to carry out research on issues of immediate relevance to the country in question, to strengthening smaller States' positions in international negotiations and vis-à-vis donor agencies, and acting as a point of attraction for well-qualified nationals working abroad.

"United Nations agencies should, as a first step, carry out pilot studies in a few countries, in different regions of the world, to ascertain the most cost-effective method of providing assistance in this field."

20. ACC could not give its full support to the recommendation, which proposed the creation and strengthening of national economic and social research institutes that, in the view of the authors, could assist small States in international negotiations. ACC members believed that the establishment of national research institutes faced a number of drawbacks. It was widely recognized that the public sector in small countries faced diseconomies of scale compounded by acute shortages of qualified and trained personnel. Therefore, it would be difficult for a small country to divert scarce financial and human resources to an area that might not be considered of priority importance.

21. The report appeared to rely on the hope that nationals educated overseas might be persuaded to return to their country of origin in order to staff the research institutes once they had been established. Actually, even if the personnel constraints could be overcome, some practical problems would remain. Research institutes were normally somewhat isolated from the mainstream of public or private economic or technological decision-making. Probably, if the recommended research institutes were to be established, they should have limited responsibilities focused on a country's development plan and/or UNDP country programmes.

22. Some ACC members noted that recommendation 4 did not seem to be in line with recommendation 3, which called for regional approaches to problems of small States. They believed that if scale economies existed anywhere, it was primarily in research, and further proliferation of national research institutes should not be encouraged.

23. In the view of some agencies, the report should also have encouraged the regional approach to research and development. They were not certain that additional pilot studies proposed in the second part of recommendation 4 were necessary given the length and depth of experience acquired by agencies over the past four decades in addressing development issues of small States.

Recommendation 5

"The United Nations system should provide particular assistance when requested by small States, in view of the vulnerability of the State to political and economic destabilization due in part to external interference in their internal affairs and the direct consequences of these factors on

their development. The Secretary-General may deem it necessary to explore specific preventive measures aimed at strengthening, where necessary, the elements of the stability and security of small States in accordance with General Assembly resolution 44/51 and the principles of the Charter of the United Nations."

24. ACC noted that the recommendation was more of a political nature than a socio-economic nature. Nevertheless, it agreed with the view of the Inspectors that, with the small scale of national budgets, there was always a danger that even moderate amounts of external aid might have a disproportionate effect on national priorities, and therefore assistance should be provided only and exclusively when requested by small States, and that the relevant projects and programmes of organizations and agencies of the United Nations system should necessarily respond to the specific needs identified by small countries themselves, individually or jointly by neighbouring small States.

Recommendation 6

"The UNDP and the specialized agencies should invite the Consultative Committee on Programme and Operational Questions (CCPOQ) to examine the possibilities of standardizing area responsibilities in those regions where UNDP and specialized agency representatives are responsible for more than one country."

25. The majority of ACC members concurred with the proposal that CCPOQ should examine the possibilities of standardizing areas of responsibilities, and pointed out that CCPOQ had already started considering the issue. At the same time, some agencies believed that such an undertaking could be a most difficult one and would not likely reach meaningful conclusion. As far as coordination among the programmes of various agencies was concerned, emphasis was currently being placed on programme-by-programme and/or country-by-country coordination under the leadership of the Resident Coordinators. This coordination was being further strengthened for some countries with the initiation of the Country Strategy Note.

26. Some ACC members commented on the question raised in the report concerning the quality of resident representatives in smaller countries. Based on the point that the UNDP Resident Representative usually occupied a particularly important role in the interface between the donors and the smaller States, the report requested the appointment of high-calibre people for such posts. While greater recognition was being given to the particular significance and profile of UNDP, vis-à-vis Governments and other parties concerned in small States, these assignments have traditionally tended to be those for qualified but less experienced resident representatives.

27. Some ACC members expressed the hope that, in implementing recommendation 6, the needs and involvement of the smaller technical agencies would be taken fully into account.

Recommendation 7

"The UNDP and the specialized agencies should accord the Non-Self-Governing Territories which have indicative planning figures the same treatment from the United Nations development system as Member States and make every effort to ensure that they are visited periodically by United Nations development assistance missions."

28. ACC agreed in general with the conclusions of the report that the Non-Self-Governing Territories, being small in terms of population and facing economic development needs similar to those of Member States, deserved the same treatment for development assistance purposes as small Member States. However, some ACC members expressed their reservations concerning this recommendation in so far as it dealt with questions which, as recognized by the Inspectors themselves, were outside the scope of the report and had a more legal than substantive dimension.

Recommendation 8

"The UNDP, in conjunction with UNCTAD and in cooperation with the relevant specialized agencies and the regional economic commissions, should establish pilot studies in a few small States to identify who are the potential users of United Nations generated information relevant to the development needs of small States, the type of information that would be of greatest value to these users, and the most cost-effective method of disseminating this information to these users. In this connection, consideration should be given to the possibilities of utilizing the proposed research institutes (see recommendation 4) as centres for storing and disseminating information in small countries.

"The Governing Council might wish to request the Secretariat to keep the Council informed on the progress of these pilot studies."

Recommendation 9

"The UNDP and the specialized agencies with offices in small countries should examine the possibilities of greater sharing of databases. As a first step, UNDP resident representatives should be asked to report on the current situation in their respective countries or area responsibilities, and on the possibilities of sharing databases. The interest in, and possibilities of, providing access to the databases to key government offices should also be explored in conjunction with recommendation 8."

29. ACC considered these two recommendations as interconnected. It noted that the report was timely and very rightly placed emphasis on the effective dissemination of information and the need for close cooperation between the various agencies in this area. It should apply to most developing countries assisted by the United Nations development system and not only to small Member States. ACC members, however, recognized that most of the smaller States did not have access to the global information, and even where they had such an access they might not have the capacity to absorb the information.

30. It was expected that the United Nations economic and social information system would play a major role in the dissemination of economic and social information. This project, which was currently in a preliminary phase, was expected to improve the ability of smaller countries to digest and take advantage of the information generated by the United Nations and the data available at Headquarters and the regional commissions.

31. ACC members believed that the proposed pilot study was useful, especially for UNCTAD, which did not have its own field offices in developing countries.